



State of Utah

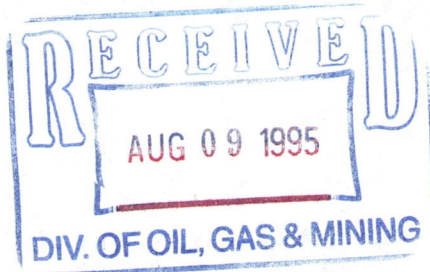
School and Institutional
TRUST LANDS ADMINISTRATION

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August 8, 1995

Cotter Corporation
12596 W. Bayoud Ave.
Suite # 350
Lakewood, Colorado 80228



RE: Bonding Requirement, Large Mining Operations, Utah Lease # ML-45609
DOGM File # M/037/084

Attn: Jerry Powers

Dear Mr. Powers:

On August 7, 1995, Mr. Jon Showalter requested permission to expand mine operations at the Papoose Mine site prior to tentative approval of your Large Mining Operations Notice of Intention by the Division of Oil Gas and Mining (DOGM). It is the School and Institutional Trust Lands Administration (SITLA) understanding that immediate expansion is necessary in order to fulfill contractual obligations which otherwise may terminate during the 30 day review period that is required by DOGM. At this time the School and Institutional Trust Lands Administration does not object to such an expansion provided Cotter Corp. diligently address all comments as required by DOGM in their August 2, 1995, letter and provide SITLA with bonding for the entire 20 acre project as anticipated by Mr. Blake in his letter, dated July 19, 1995, to Mr. Glen Williams.

Bonding as required by SITLA rule R850-20-2700(4) is required to cover the cost of reclamation and damage to the surface, should such cost accrue to the Lessor, and may be used for payment of royalties due the Lessor. SITLA has therefore determined that bonding for the entire 20 acre project will be \$ 5,000.00 per acre.

Cotter Corp. is already bonded for \$24,150.00 under bond U-247-55-86, with United Pacific Insurance Company as surety. A rider for an additional bond in the amount of \$ 75,850.00 with the same surety would satisfy SITLA's bonding requirement.

Sincerely,

William M. Stokes
Minerals Resource Specialist



cc: Tony Gallegos, DOGM